Comments on

Why are central banks reporting losses? Does it matter?

Patricia C. Mosser
Columbia University
March 21, 2023
Federal Reserve income, expenses and remittances 2021 and 2022, $ billions

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>170</td>
<td>122</td>
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<tr>
<td>Interest expense</td>
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<td>6</td>
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<tr>
<td>Net income</td>
<td>58</td>
<td>109</td>
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<tr>
<td>Remittances</td>
<td>76</td>
<td>109</td>
</tr>
<tr>
<td>Deferred asset</td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td>Other expenses</td>
<td>10</td>
<td>7</td>
</tr>
</tbody>
</table>

Src: Federal Reserve
Federal Reserve “Other Liabilities” and accrued dividends

Source: Federal Reserve
Federal Reserve balance sheet simulations
(as of July 2022)  Src: Federal Reserve Board
Federal Reserve balance sheet simulations
(as of July 2022)
3 reasons, Fed losses may be less extreme (and turn around relatively quickly)

• Sheer size of seigniorage (28-30%) of liabilities
• Preference of the FOMC for a “generous reserves” regime when balance sheet has been normalized (NY Fed staff projection is $2.5 trillion (2026) and 7% of GDP)
Fed domestic balance sheet
NY Fed projections, (April 2022)
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• Fed is rolling off less than half of its Treasury holdings each month. Remainder are reinvested at (higher) coupons.
Projected SOMA reinvestments and redemptions

Note: The light red bars exceed the maturities of current Treasury bill holdings because the projection assumes that Treasury bills are reinvested several times over the period covered by the chart.
Source: Federal Reserve Bank of New York
Federal Reserve interest rate simulations
(as of July 2022)